

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON NATURAL RESOURCES

Call to Order: By **CHAIRMAN WILLIAM CRISMORE**, on January 12, 2001
at 3:00 P.M., in Room 317-C Capitol.

ROLL CALL

Members Present:

Sen. William Crismore, Chairman (R)
Sen. Dale Mahlum, Vice Chairman (R)
Sen. Vicki Cocchiarella (D)
Sen. Mack Cole (R)
Sen. Lorents Grosfield (R)
Sen. Bea McCarthy (D)
Sen. Glenn Roush (D)
Sen. Bill Tash (R)
Sen. Mike Taylor (R)
Sen. Ken Toole (D)

Members Excused: Sen. Ken Miller (R)

Members Absent: None.

Staff Present: Nancy Bleck, Committee Secretary
Mary Vandembosch, Legislative Branch

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB92, 1/9/2001
Executive Action: SB147; SB159

HEARING ON SB 92

Sponsor: SENATOR MIKE HALLIGAN (D), SD 34, Missoula

Proponents: Art Compton, Department of Environmental Quality
Peggy Likens, Executive Director, Keep Montana
Clean & Beautiful

**Cindy Atkinson, Rocky Mountain Recycling
Lou Moore, Chief of the Pollution Prevention
Bureau, Department of Environmental Quality**

Opponents: **None.**

Opening Statement by Sponsor:

SEN. MIKE HALLIGAN, SD 34, Missoula, opened by saying that he had sponsored the bill he is revising with **SB 92** back in 1991; its purpose was to offer an incentive to recycling businesses because of the low profit margins they were able to achieve with the high cost of collecting, delivering, separating and transporting reclaimable materials to a processing plant as well as the prohibitively high cost of manufacturing products from reclaimed and recycled materials. The tax credit was an incentive to businesses of all sizes, from the Washington Corporation to non-profit organizations in Missoula. It was meant to assist, for instance, in the purchase of equipment used in recycling asphalt which is a drawn-out process in that it needs to be heated, have all toxins removed, etc. **SB 92** would remove the sunset placed on the original bill, extended once in 1997, because this is still a new industry, in need of help. He acknowledged that this program costs about \$284,000 annually in tax credits but it seems to be working since it was helping to keep these businesses afloat. There was one caveat though, and this was the stipulation that the tax credit could only be taken for the year the equipment was purchased.

Proponents' Testimony:

Art Compton, Department of Environmental Quality (DEQ), spoke in support of **SB 92**, reiterating **SEN. HALLIGAN'S** statements with regards to the difficulties recycling businesses face in this state due to the sparse population, the long distance from recycling markets, and the low profits stemming from the cost of transporting the materials to the processing plants. He went on to say that the DEQ's survey of the recycling and reclamation industry showed that the tax credit on equipment used to treat soil contaminated by hazardous waste has not been utilized and that the department, therefore, proposed elimination of that portion of the tax credit. Finally, he stated this bill repeals Section 604 prohibiting use of the tax credit for energy purposes which the department agrees with, given the current energy situation in the Pacific Northwest as well as in the rest of the country, in that it now allows reclaimed materials to be used for their energy value. All such materials must meet strict definitions, and section 601 of the statute will substantially limit the number of materials that can be claimed under this

section of the tax credit. He offered that tires and also wood reclaimed from demolition sites would qualify under this provision. Wood that is used as hog fuel and typically is burned for energy in a sawmill operation would not be eligible as is wood reclaimed from forest trimming, such as slash, because it does not meet the definition of reclaimed materials. He maintained that **SB 92** does support future recycling business and will help keep current projects viable and afloat.

Peggy Likens, Executive Director, Keep Montana Clean & Beautiful, also spoke in support of **SB 92** and offered written testimony, **EXHIBIT (nas09a01)**.

Cindy Atkinson, Rocky Mountain Recycling, rose in support of **SB 92** and stated that she had worked in the recycling industry since 1988, and had been instrumental in placing balers throughout the state of Montana, most notably in grocery stores. This has given small, rural communities a chance to recycle, and has had a welcome effect by decreasing the amount of cardboard that went into their landfills.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

SEN. KEN TOOLE confirmed that it was illegal to burn tires in Montana and inquired about areas that allow this for energy purposes as well as the size of those plants. **Art Compton** thought the DEQ was aware of several western states where this is done and pointed to Utah's approach as having been used as a model for other states. They have found the optimal temperatures for burning tires without toxic emissions, and he was quick to add that the prime example for this in our state was the Holnam-Trident cement plant near Three Forks where there was no increase in emissions based on the boiler temperatures used in today's cement industry. Moreover, it was discovered that the steel in steel-belted radial tires is the correct ratio of steel to burnable fuel which forms a catalyst for that cement making procedure and reduces their need to add iron to the boiler. One of the DEQ's mandates is the protection of Montana's air quality, and **Mr. Compton** maintained the DEQ has been very cautious in issuing new permits and in making sure there were mechanisms in place for citizen participation in these decisions. To his knowledge, Holnam-Trident was the only company actively pursuing the burning of waste tires as fuel. He stated that the department has convened a citizen's advisory committee made up of private citizens, businesses, environmental advocacy groups and agency personnel to formulate and guide the process whereby businesses can apply to use tires as a fuel source. It was

assumed that Utah and some other western states actually pay industries to use tires as a fuel source. The DEQ stops well short of that under the provisions of this bill; rather it provides a tax credit for the equipment enhancement needed to convert tires into fuel and assured that there are no incremental emissions from waste tire burning. **SEN. TOOLE** asked for additional clarification on the emission issue. **Mr. Compton** assured him there were no increased emissions expected over and above what the current materials produced, and that the chemical composition stayed the same. **SEN. TOOLE** then wanted to know what type of chemicals were involved. **Mr. Compton** referred that question to **Lou Moore, Chief, Pollution Prevention Bureau, DEQ**, and she advised that it was a combination of fuels; the fuel mix at Holnam-Trident included petroleum coke, syncoal, and natural gas. She pointed to a similar plant in Oklahoma and said those emissions were being closely monitored. She further stated that this bill does not change the permitting process, it simply allows for a tax credit if the facility is already permitted to use tires as a fuel source. **SEN. TOOLE** posed the question if the tax credit was really needed when some companies were cutting their fuel costs. **Mr. Compton** answered they did not but that they were advancing with the program, employing the citizen's advisory group to distribute information and develop public support, explaining that this activity predated the drafting of **SB 92**. **SEN. TOOLE** questioned and confirmed that this was not a facility siting act since no electricity was generated. **Mr. Compton** stated that the citizen's advisory group stoked and helped guide Holnam-Trident's application through the permitting process for this activity which is regulated by the Montana Air Quality Act. **SEN. VICKI COCCHIARELLA** wondered whether **SEN. HALLIGAN** agreed with the statement in the fiscal note drafted for **SB 92** where the tax credit since 1992 is discussed and asked if the \$156,000 mentioned therein was the total cost since 1992 or the average cost per year since 1992. **SEN. HALLIGAN** explained that it represents an average per year since 1992. **SEN. COCCHIARELLA** challenged the fiscal impact in the fiscal note, indicating that it does not take into account potential tax revenue generated through the purchase and development of additional recycling plants. **SEN. HALLIGAN** countered that the budget office only advised on fiscal impact and does not speculate how many jobs will be created in what sector of industry as a result of the bill. **SEN. TOOLE** suggested we would provide benefit through recycling facilities throughout the state if we moved ahead with extending the tax credit. **SEN. HALLIGAN** agreed and speculated what other types of waste could be burned rather than going into landfills. **SEN. TOOLE** also wondered what other types of waste fuel might be out there since sawmill by-products do not qualify for the tax credit. **SEN. BILL TASH**

inquired whether petroleum wastes would qualify for this credit. **Lou Moore** answered they would not since they are currently being disposed of as solid waste and not going into landfills; she further stated that tires are typically being burned and that there was actually a market for them.

Closing by Sponsor:

SEN. HALLIGAN closed by saying this bill would develop new industry and minimize the impact on our landfills, especially in view of new federal regulation being discussed regarding the latter. He also stated that he was not sure whether this bill should not have been referred to the taxation committee.

Discussion:

VICE-CHAIR DALE MAHLUM wondered about the cost of a small baler for the use by stores. **Cindy Atkinson** answered the cost was about \$8,200 for a new baler capable of producing a mill-sized bale which could be picked up by a truck and taken directly to the mill without having to be re-processed. **SEN. BEA MCCARTHY** questioned the term hog fuel. **Lou Moore** replied that hog fuel is chipped wood used as fuel in some production facilities, such as Stone Container in Missoula, or sawmills. **SEN. MIKE TAYLOR** stated that one of his constituents disassembles tires, takes the steel out, and makes them into things like mats, roofing, and shoe soles; and wondered if he then would qualify for this tax credit. **Lou Moore** felt that he would. **VICE-CHAIR MAHLUM** inquired about the weight of these bales and where they get transported to. **Cindy Atkinson** stated that these bales sometimes weigh between 800 and 900 pounds, and that most of them go into Stone Container who produces liner board, except, of course, when the mill is down, then they are shipped and processed in Oregon. **SEN. COCCHIARELLA** wanted to know if **VICE-CHAIR MAHLUM** had ever watched the process at Stone Container and recommended that everyone should, just to see how many recyclable materials are being utilized there. **SEN. TASH** asked what happened to recycled oil. **VICE-CHAIR MAHLUM** acknowledged that a lot of it went into **SEN. TASH's** district and was being used in the state's historic steam engines, most notably in Engine #12 at Virginia City.

EXHIBIT (nas09a02) Plan for amendments to **SB 92** by **SENATOR KEN TOOLE** received from **Mary Vandenbosch, Staff Researcher**.

EXHIBIT (nas09a03) (SB009201.amv) Amendments to **SB 92** by **SENATOR KEN TOOLE** received on January 15, 2001, from **Mary Vandenbosch, Staff Researcher**.

{Tape : 1; Side : A; Approx. Time Counter : 0 - 29.4}

EXECUTIVE ACTION ON SB 147

Motion/Vote: SEN. MCCARTHY moved that SB 147 DO PASS. Motion carried unanimously.

EXECUTIVE ACTION ON SB 159

Motion: SEN. TAYLOR moved that SB 159 BE AMENDED, **EXHIBIT** (nas09a04) (SB015902.amv) .

Discussion: CHAIRMAN BILL CRISMORE briefly discussed the amendment to SB 159 in that on page one, line 13 following "purposes" there is an insertion "to the department of fish, wildlife, and parks on parcels that are surrounded by or adjacent to land owned by the department of fish, wildlife, and parks as of January 1, 2001". SEN. TAYLOR understood SEN. GROSFIELD's intent with this amendment was not to be able to expand it any further and that is what this does is clarify that language so it stays within those boundaries.

Vote: Motion that AMENDMENT TO SB 159 BE ADOPTED carried unanimously.

Motion/Vote: SEN. TASH moved that SB 159 DO PASS AS AMENDED. Motion carried unanimously.

{Tape : 1; Side : B; Approx. Time Counter : 3.4 - 9.8}

ADJOURNMENT

Adjournment: 3:36 P.M.

SEN. WILLIAM CRISMORE, Chairman

NANCY BLECK, Secretary

WC/NB

EXHIBIT (nas09aad)